R4105-37
12/9/88 A

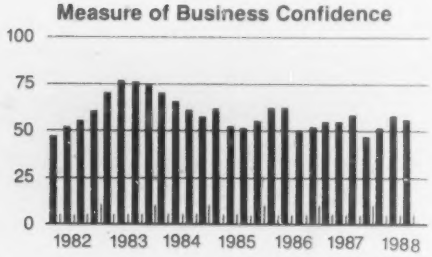
The Conference Board

A Survey of Chief Executives

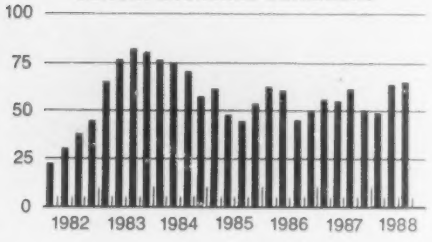
Business Executives' Expectations

Volume 12, Number 3 **Third Quarter 1988**

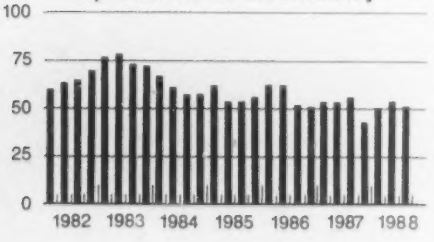
Measure of Business Confidence



Current Economic Conditions



Expectations for the Economy



Business Confidence Down Moderately

After registering impressive gains in the first half of the year, business confidence edged back slightly in the third quarter. The Board's *Measure of Business Confidence* now stands at 56, a loss of two points compared to the previous figure. However, the present reading continues to be substantially higher than the level registered late last year, following the stock market crash.

The decline in confidence in the most recent survey reflects increasing uncertainty about the vigor of the economy in the immediate months ahead. A high proportion of business executives, however, feel that present conditions are better than they were six months ago.

Expectations are Lower

The *Economic Expectations Index* dropped to 51 in the latest probe, a decline of some three points. In looking ahead to the next six months, only 30% of all executives expect economic conditions to improve, while 26% fear that they will worsen. In the preceding quarter, 35% of all responses were positive, and only 18% negative.

Executives also now have lower expectations for their own industries. Fewer than in the preceding quarter now expect conditions to improve, more anticipate a worsening in their particular branch of business. In fact, executives in 10 out of the 15 manufacturing industries included in the survey are less optimistic than they were in the second quarter, and a similar pattern was picked up in non-manufacturing industries.

Current Conditions Still Considered Strong

Despite growing concern about the future, business executives continue to be quite favorable in their comparison of prevailing economic conditions with those of six months earlier. In the latest probe, 60% of all participants reported that general economic conditions had improved over that period, only 6% believed that they had worsened. These readings are marginally stronger than in the second quarter, and up sharply from the first three months of the year.

In assessing current conditions in their own industries, as compared to six months ago, executives continue to be optimistic, though slightly less so than in the prior quarter.

Revisions in Capital Spending Programs

Slightly under 30% of all executives reported that their companies' capital spending programs had been expanded since the beginning of this calendar year. Only 10% reported cutbacks in such programs.

The main reason indicated for increased spending was an expectation of growing demand for their products. Of those that reported cutbacks, about half anticipated slower sales growth. The higher cost of capital was also cited, among other reasons.

Fabian Linden

Copyright © 1988 by The Conference Board, Inc.

BUSINESS EXECUTIVES' EXPECTATIONS (ISSN 0889-6674) is published quarterly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-Class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022.

Table 1: PERCENT OF COMPANIES REPORTING REVISION OF CAPITAL INVESTMENT PROGRAMS

	Up 10% or more	*Up less than 10%*	*No revision*	*Down less than 10%*	*Down 10% or more*
ALL INDUSTRIES	13%	16%	60%	6%	5%
Manufacturing	15	16	59	5	5
Mining	17	42	33	8	0
Transportation	0	9	82	9	0
Public Utilities	13	10	61	13	3
Construction	14	14	72	0	0
Banking, Finance	6	18	64	8	4
Trade	13	9	68	4	6

Table 2: REASONS FOR REVISION*

Upward	
Cost of capital fell	1%
Expected return increased	16
Expected sales volume increased	65
Other	27
Downward	
Cost of capital increased	13%
Expected return fell	25
Expected sales volume fell	49
Other	25

*Percentages do not sum to 100% because of multiple responses.

Table 3: BUSINESS EXECUTIVES' EXPECTATIONS

	1985		*1986*				*1987*				*1988*		
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
MEASURE OF BUSINESS CONFIDENCE	51	55	61	61	50	51	55	55	59	47	51	58	56
1. Current Economic Conditions vs. 6 Months Ago	45	53	63	61	44	50	56	55	62	50	49	64	65
2. Expectations for Economy, 6 Months Ahead	53	56	62	62	52	51	54	53	56	43	50	54	51
3. Expectations for Own Industry, 6 Months Ahead	54	56	59	60	54	53	56	56	58	48	54	55	53
4. Current Conditions in Own Industry vs. 6 Months Ago	47	53	57	54	47	50	58	57	61	55	55	62	60

Table 4: OWN INDUSTRY INDEXES

	Current Conditions							Expectations for Next 6 Months						
	1987				*1988*			*1987*				*1988*		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
Manufacturing	60	59	61	59	58	65	62	58	56	56	48	54	55	50
Food	60	58	48	60	47	63	65	58	64	62	63	48	58	55
Textiles	59	69	54	42	28	45	31	63	47	50	31	42	20	44
Apparel	58	63	75	55	57	57	46	50	56	54	50	57	46	46
Paper	69	55	79	72	73	66	62	56	59	60	51	54	60	47
Printing, Publishing	57	54	58	58	53	54	56	61	55	64	53	52	48	46
Chemicals	69	63	63	53	57	70	69	69	58	60	48	51	57	50
Rubber	81	64	50	50	43	50	54	50	50	44	31	50	54	46
Lumber, Furniture	67	54	65	75	50	64	46	50	54	55	56	44	56	50
Stone, Clay, Glass	53	58	41	52	54	65	54	53	58	48	40	50	55	43
Primary Metals	67	65	61	69	63	76	66	56	52	50	47	49	53	48
Fabricated Metals	61	54	62	63	61	67	70	56	53	53	51	59	52	49
Nonelectrical Machinery	57	58	63	63	70	73	70	54	57	60	50	62	52	58
Electrical Machinery	63	60	65	59	57	58	62	68	56	58	50	57	51	56
Transportation Equipment	55	52	62	39	57	70	55	50	52	53	34	48	54	49
Instruments	54	63	56	43	60	58	63	58	73	47	57	60	42	44
Mining	69	67	75	65	69	60	56	64	61	59	58	57	46	56
Construction	50	48	64	54	55	52	55	58	46	59	50	64	54	57
Transportation	58	52	60	59	58	67	59	54	52	65	50	52	55	57
Electric, Gas Utilities	49	57	63	55	56	61	65	49	57	61	54	60	59	47
Wholesale Trade	56	59	70	55	59	61	64	55	55	62	41	57	54	52
Retail Trade	54	52	53	47	42	45	55	52	54	61	48	53	57	52
Banking	47	49	50	48	50	60	61	50	49	57	43	52	53	49
Other Finance	73	50	51	41	47	38	33	62	52	53	47	56	50	44
Insurance	61	55	57	43	43	50	49	50	52	54	46	43	55	54
Business Services	51	61	60	55	54	64	65	54	64	65	48	53	54	56

The **Measure of Business Confidence** is the average of the scores for Questions 1,2, and 3. There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

The Conference Board

845 Third Avenue, New York, N.Y. 10022 / (212) 759-0900
1755 Massachusetts Ave., N.W., Suite 312, Washington, D.C. 20036
255 Smyth Road, Ottawa, Ontario, K1H-8M7, Canada
Avenue Louise, 207-Bte 5; B-1050 Brussels, Belgium

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

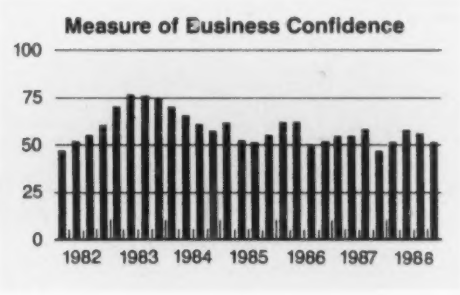
This report is prepared by The Consumer Research Center. For additional information call (212) 759-0900.

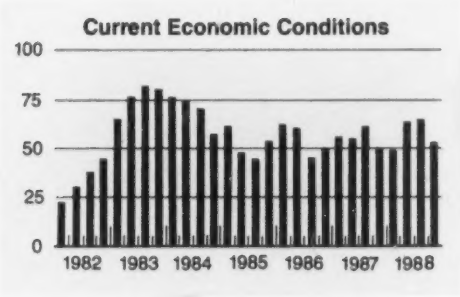
The Conference Board

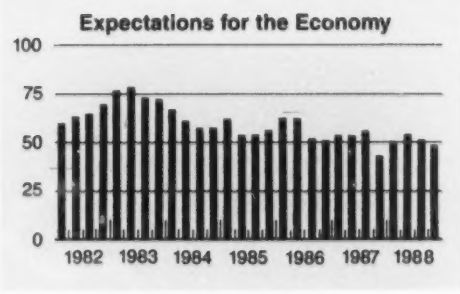
A Survey of Chief Executives

Business Executives' Expectations

A Quarterly Report from The Conference Board — Fourth Quarter 1988







Business Confidence Continues To Decline

The Conference Board's Measure of Business Confidence dropped five points in the final quarter of last year. It had also edged down in the preceding quarter. This series now stands at 51, which is only moderately higher than the level recorded at the end of 1987, immediately after the stock market crash.

Most of the recent decline reflects a less positive assessment of current economic conditions, as compared with those of six months earlier. Most of the responses, though, were too early to reflect the marked pick up in economic activity in late December. Survey participants were only moderately less optimistic than previously in their expectations for the months ahead.

Expectations Off Slightly

The Economic Expectations Index registered 48 in the fourth quarter—three points lower than in the third. Almost 30% of respondents expect general economic conditions to worsen in the months ahead, while only 21% foresee improvement. This is the first time since the end of 1987 that pessimists have outnumbered optimists.

Executives have also grown less sanguine, on balance, about the outlook for their own industries. Expectations were generally down among business executives in the service sector, but slightly higher among those in the trade and manufacturing industries.

Current Conditions Perceived To Be Softening

Business executives are considerably less positive than last time in their assessment of current conditions—for both the economy as a whole and their own industries. Almost 30% of respondents feel that the general economic situation has improved over the past six months, while under 15% feel it has worsened. Both these figures are markedly less favorable than in the prior survey, but still substantially more positive than first-quarter readings.

Also, fewer executives than last time report that conditions in their own industries have improved—34%, down from 50 percent. Respondents in both the manufacturing and service sectors were less positive about current conditions than previously.

Moderate Inflation Anticipated for 1989

Less than one in five survey respondents expect prices in their line of business to accelerate in 1989. Over half expect prices to rise less rapidly than in 1988, if at all. These are roughly the same expectations picked up in a similar survey conducted in the second half of 1988.

In assessing the past year's price changes, almost 30% of executives reported that prices rose more rapidly in 1988 than in 1987. In manufacturing, almost a third held that view, but in services less than a quarter.

Copyright © 1989 by The Conference Board, Inc.

BUSINESS EXECUTIVES' EXPECTATIONS (ISSN 0889-6674) is published quarterly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-Class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022.

Table 1: PRICE CHANGE, 1988 vs. 1987 IN PRINCIPAL LINE OF BUSINESS
(percent of respondents)

	Larger Increase	Same Increase	Smaller Increase	No Change	Decrease
All Industries	28%	29%	19%	17%	7%
Manufacturing	33	32	16	12	7
Durables	32	36	14	12	6
Nondurables	35	25	21	12	8
Services	23	28	22	20	7

Table 2: EXPECTED PRICE CHANGE, 1989 vs. 1988 IN PRINCIPAL LINE OF BUSINESS
(percent of respondents)

	Larger Increase	Same Increase	Smaller Increase	No Change	Decrease
All Industries	18%	30%	29%	15%	8%
Manufacturing	20	33	28	13	7
Durables	20	36	24	14	7
Nondurables	23	19	39	13	6
Services	17	28	28	19	8

Table 3: BUSINESS EXECUTIVES' EXPECTATIONS

	1985	1986				1987				1988			
	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.
MEASURE OF BUSINESS CONFIDENCE	55	61	61	50	51	55	55	59	47	51	58	56	51
1. Current Economic Conditions vs. 6 Months Ago	53	63	61	44	50	56	55	62	50	49	64	65	54
2. Expectations for Economy, 6 Months Ahead	56	62	62	52	51	54	53	56	43	50	54	51	48
3. Expectations for Own Industry, 6 Months Ahead	56	59	60	54	53	56	56	58	48	54	55	53	51
4. Current Conditions in Own Industry vs. 6 Months Ago	53	57	54	47	50	58	57	61	55	55	62	60	53

Table 4: OWN INDUSTRY INDEXES

	Current Conditions							Expectations for Next 6 Months						
	1987			1988				1987			1988			
	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.
Manufacturing	59	61	59	58	65	62	52	56	56	48	54	55	50	51
Food	58	48	60	47	63	65	63	64	62	63	48	58	55	61
Textiles	69	54	42	28	45	31	34	47	50	31	42	20	44	43
Apparel	63	75	55	57	57	46	50	56	54	50	57	46	46	40
Paper	55	79	72	73	66	62	52	59	60	51	54	60	47	50
Printing, Publishing	54	58	58	53	54	56	53	55	64	53	52	48	46	44
Chemicals	63	63	53	57	70	69	60	58	60	48	51	57	50	51
Rubber	64	50	50	43	50	54	53	50	44	31	50	54	46	44
Lumber, Furniture	54	65	75	50	64	46	56	54	55	56	44	56	50	63
Stone, Clay, Glass	58	41	52	54	65	54	45	58	48	40	50	55	43	43
Primary Metals	65	61	69	63	76	66	48	52	50	47	49	53	48	49
Fabricated Metals	54	62	63	61	67	70	61	53	53	51	59	52	49	53
Nonelectrical Machinery	58	63	63	70	73	70	56	57	60	50	62	52	58	58
Electrical Machinery	60	65	59	57	58	62	39	56	58	50	57	51	56	44
Transportation Equipment	52	62	39	57	70	55	55	52	53	34	48	54	49	48
Instruments	63	56	43	60	58	63	50	73	47	57	60	42	44	48
Mining	67	75	65	69	60	56	55	61	59	58	57	46	56	50
Construction	48	64	54	55	52	55	43	46	59	50	64	54	57	45
Transportation	52	60	59	58	67	59	54	52	65	50	52	55	57	46
Electric, Gas Utilities	57	63	55	56	61	65	60	57	61	54	60	59	47	55
Wholesale Trade	59	70	55	59	61	64	60	55	62	41	57	54	52	58
Retail Trade	52	53	47	42	45	55	58	54	61	48	53	57	52	58
Banking	49	50	48	50	60	61	49	49	57	43	52	53	49	46
Other Finance	50	51	41	47	38	33	42	52	53	47	56	50	44	44
Insurance	55	57	43	43	50	49	44	52	54	46	43	55	54	44
Business Services	61	60	55	54	64	65	57	64	65	48	53	54	56	54

The **Measure of Business Confidence** is the average of the scores for Questions 1,2, and 3. There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

The Conference Board

845 Third Avenue, New York, N.Y. 10022/(212) 759-0900
1755 Massachusetts Ave., N.W., Suite 312, Washington, D.C. 20036
255 Smyth Road, Ottawa, Ontario, K1H-8M7, Canada
Avenue Louise, 207-Bte 5; B-1050 Brussels, Belgium

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

This report is prepared by The Consumer Research Center. For additional information call (212) 759-0900.

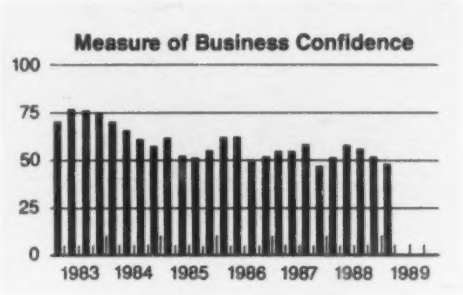
RY105-37
5/22/89 A

The Conference Board

A Survey of Chief Executives

Business Executives' Expectations

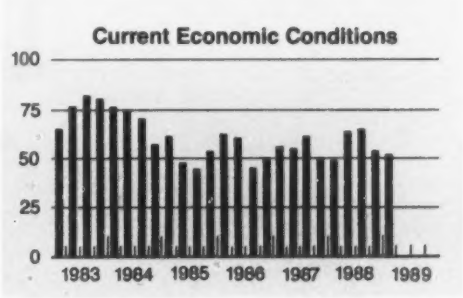
Volume 13, Number 1 **First Quarter 1989**



Business Executives Less Confident

The Board's quarterly Measure of Business Confidence registered a further decline in the initial three months of this year. This is the third consecutive loss in this series. The current reading is 48, down from 51 in the closing months of last year.

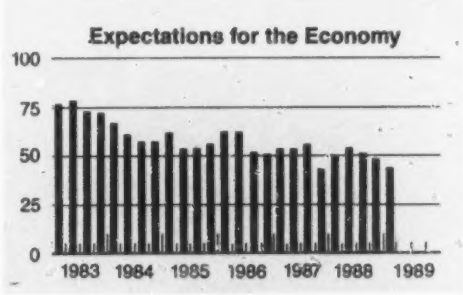
Most of the decline in the latest survey reflects an increasing concern about likely economic developments in the immediate period ahead. Respondents are also somewhat less positive than previously about the outlook for their own particular industry. Overall, the level of business confidence is now about the same as registered immediately after the financial crisis in late 1987.



Uneasy with Prevailing Conditions

About 20% of all survey participants believe that ongoing business conditions are moderately worse than six months ago. This component of the confidence series has, been growing increasingly negative. Back in the third quarter of last year, close to 60% of respondents believed that prevailing business conditions were better than they had been in the recent past. But this figure has dropped to only 28% in the latest probe.

However, respondents were moderately more positive than last time in their assessment of their own industries' fortunes over the past six months. Now, 36% say the situation has improved, up from a prior 34%, while a more modest 23% complain that they have worsened, down from 26% in the final quarter of last year. Still, the current opinion on this issue is considerably less favorable than a year ago.



Lower Expectations

In looking ahead to the immediate months to come, executives have grown substantially less optimistic about the general economy. For the third consecutive quarter, there has been a fairly large decline in this component of the Confidence Measure. Now, a striking 43% believe that the business situation will worsen in the immediate period ahead, up from 29% in the preceding quarter. This concern has, not unexpectedly, carried over into the respondents' expectations for their own particular industry. Now, 32% believe that conditions will worsen, up from 26% in the previous survey.

Tightening Labor Market

Close to 20% of all survey respondents expect that employment in their industry will increase during the present year, which is not very different than the figure recorded on an identical question asked at this time last year. However, fewer respondents this time than last believe that employment in their industry will decline—23%, down from almost 30% in last year's survey. Further, there has been a sharp increase in the number of executives fearing that they will have greater difficulty in finding qualified employees this year than last. More than 35% express that view, up from a considerably more moderate 23% twelve months ago.

Copyright © 1989 by The Conference Board, Inc.

BUSINESS EXECUTIVES' EXPECTATIONS (ISSN 0888-6674) is published quarterly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-Class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022.

Table 1: BUSINESS EXECUTIVES' CONFIDENCE

	1986				1987				1988				1989
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
MEASURE OF BUSINESS CONFIDENCE	61	61	50	51	55	55	59	47	51	58	56	51	48
Current Economic Conditions vs. 6 Months Ago	63	61	44	50	56	55	62	50	49	64	65	54	52
Expectations for Economy, 6 Months Ahead	62	62	52	51	54	53	56	43	50	54	51	48	43
Expectations for Own Industry, 6 Months Ahead	59	60	54	53	56	56	58	48	54	55	53	51	48
Current Conditions in Own Industry vs. 6 Mos. Ago	57	54	47	50	58	57	61	55	55	62	60	53	54

Table 3: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	Expectations for next 6 months: Own Industry				
	1988				1989
	Q1	Q2	Q3	Q4	Q1
ALL INDUSTRIES	54	55	53	51	48
MANUFACTURING	54	55	52	51	47
Nondurables	51	54	51	50	47
Food, Textiles, Apparel	48	49	50	52	48
Paper, Printing, Publishing	53	55	51	48	42
Chemicals, Petroleum, Rubber	52	57	53	50	50
Durables	56	52	53	51	48
Metals	55	52	50	51	44
Machinery	60	52	59	54	54
SERVICES	53	55	52	50	47
Utilities	60	59	51	55	51
Wholesale & Retail Trade	56	55	56	58	49
Banking and Finance	53	52	49	45	44
Insurance	43	55	51	44	44
Business Services	53	54	62	54	50

Table 2: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	Current Conditions: Own Industry				
	1988				1989
	Q1	Q2	Q3	Q4	Q1
ALL INDUSTRIES	55	62	60	53	54
MANUFACTURING	58	65	62	52	54
Nondurables	51	60	59	53	52
Food, Textiles, Apparel	44	59	52	51	49
Paper, Printing, Publishing	62	61	59	52	53
Chemicals, Petroleum, Rubber	50	60	64	55	53
Durables	61	68	64	52	55
Metals	62	70	68	55	54
Machinery	64	68	67	51	57
SERVICES	45	51	58	47	53
Utilities	56	61	64	60	56
Wholesale & Retail Trade	54	56	61	59	56
Banking and Finance	49	54	53	47	51
Insurance	43	50	49	44	47
Business Services	54	64	65	57	58

Table 4: "During the current year, do you expect employment levels in your industry to:"

	All Industries		Manufacturing		Non-manufacturing	
	1988	1989	1988	1989	1988	1989
Increase More Than 2.5%	4%	3%	4%	2%	4%	5%
Increase Less Than 2.5%	16	16	17	20	15	16
Remain the Same	51	58	55	60	48	55
Decrease Less Than 2.5%	25	20	21	16	28	20
Decrease More Than 2.5%	4	3	3	2	5	4

Table 5: "Compared to last year, how much difficulty do you anticipate finding qualified employees this year?"

	1985	1986	1987	1988	1989
More Difficulty					
All Industries	22%	21%	19%	23%	35%
Manufacturing	18	17	17	25	36
Nonmanufacturing	24	25	24	21	35

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100, Moderately Better—75, Same—50, Moderately Worse—25, Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

The Conference Board

845 Fourth Avenue, New York, N.Y. 10022/(212) 759-0900
1755 Massachusetts Ave., N.W., Suite 312, Washington, D.C. 20036
255 Smyth Road, Ottawa, Ontario, K1H-8M7, Canada
Avenue Louise, 207-Bte 5; B-1050 Brussels, Belgium

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

This report is prepared by The Consumer Research Center. For additional information call (212) 759-0900.

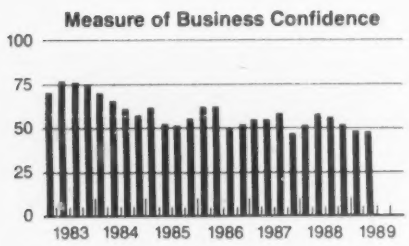
R4105-37

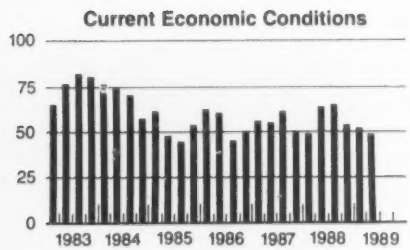
The Conference Board

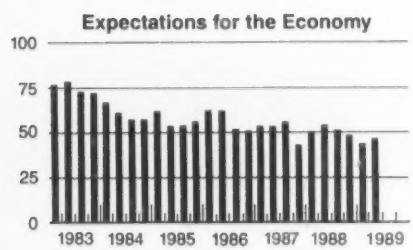
A Survey of Chief Executives

Business Executives' Expectations

Volume 13, Number 2 **Second Quarter 1989**







Business Confidence Flat

The Measure of Business Confidence, which had been declining over the past year, leveled off at 48 in the second quarter. The current reading indicates that negative responses are slightly more prevalent than positive.

Executives were decidedly less positive in the second quarter than in the first about ongoing economic conditions and also about the situation in their own particular industries. However, respondents are now more hopeful than previously about prospects for the next six months.

Moderate Slowdown in First Half of 1989

Some 30% of survey participants report that general economic conditions worsened over the past six months; only 23% say they improved. This marks the first time in over a year that negative responses to this question have outnumbered positive.

Executives also hold a less positive view than last time about ongoing conditions in their own industries. In assessing the past six months, 30% report a pickup in business, while the same number say activity has slowed. Both these figures are moderately less favorable than those recorded in the first quarter. Among manufacturers of durable goods, 33% report that conditions worsened, up significantly from 23 percent. This is consistent with recent government data showing a slowdown in that sector.

Expectations Rebound

In appraising the economic outlook, business executives were more optimistic in the second quarter than in the first, though opinion remains cautious. Almost 25% of respondents now foresee improvement in the final half of the year, but 35% expect conditions to worsen. Still, these figures are considerably more favorable than those recorded in the first quarter, when pessimists outnumbered optimists by nearly three to one.

Regarding expectations for their own industries, respondents have also grown somewhat more sanguine. Almost 30% foresee improvement in the months to come, up from 25 percent. Confidence was up across almost all major industry groups.

Stronger Dollar Had Moderate Negative Impact

The rise in the dollar's value against foreign currencies in the first half of this year evidently hampered business activity only modestly. About 23% of executives surveyed believe the stronger dollar has been harmful for their business, but only a small fraction of those deem it "very harmful." Less than 15%—in both services and manufacturing—say it was beneficial. In an identical survey taken in mid-1988 (after a fall in the dollar), nearly 30% of executives in the service sector and two-thirds of those in manufacturing reported that changes in exchange rates had been beneficial.

Copyright 1989 by The Conference Board, Inc.

BUSINESS EXECUTIVES' EXPECTATIONS (ISSN 0888-6674) is published quarterly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-Class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022.

Table 1: BUSINESS EXECUTIVES' CONFIDENCE

	1986			1987				1988				1989	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
MEASURE OF BUSINESS CONFIDENCE	61	50	51	55	55	59	47	51	58	56	51	48	48
Current Economic Conditions vs. 6 Months Ago	61	44	50	56	55	62	50	49	64	65	54	52	48
Expectations for Economy, 6 Months Ahead	62	52	51	54	53	56	43	50	54	51	48	43	47
Expectations for Own Industry, 6 Months Ahead	60	54	53	56	56	58	48	54	55	53	51	48	50
Current Conditions in Own Industry vs. 6 Mos. Ago	54	47	50	58	57	61	55	55	62	60	53	54	50

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	Expectations for next 6 months: Own Industry				
	1988			1989	
	Q2	Q3	Q4	Q1	Q2
ALL INDUSTRIES	55	53	51	48	50
MANUFACTURING	55	52	51	47	50
Nondurables	54	51	50	47	52
Food, Textiles, Apparel	49	50	52	48	54
Paper, Printing, Publishing	55	51	48	42	55
Chemicals, Petroleum, Rubber	57	53	50	50	49
Durables	52	53	51	48	50
Metals	52	50	51	44	49
Machinery	52	59	54	54	52
SERVICES	55	52	50	47	48
Utilities	59	51	55	51	48
Wholesale & Retail Trade	55	56	58	49	49
Banking and Finance	52	49	45	44	47
Insurance	55	51	44	44	49
Business Services	54	62	54	50	49

Table 3: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	Current Conditions: Own Industry				
	1988			1989	
	Q2	Q3	Q4	Q1	Q2
ALL INDUSTRIES	62	60	53	54	50
MANUFACTURING	65	62	52	54	50
Nondurables	60	59	53	52	52
Food, Textiles, Apparel	59	52	51	49	52
Paper, Printing, Publishing	61	59	52	53	55
Chemicals, Petroleum, Rubber	60	64	55	53	49
Durables	68	64	52	55	49
Metals	70	68	55	54	51
Machinery	68	67	51	57	49
SERVICES	51	58	47	53	51
Utilities	61	64	60	56	51
Wholesale & Retail Trade	56	61	59	56	53
Banking and Finance	54	53	47	51	49
Insurance	50	49	44	47	50
Business Services	64	65	57	58	49

Table 4: EFFECTS OF EXCHANGE RATE AND FINANCIAL MARKET FLUCTUATIONS: FIRST HALF OF 1988/1989

	Changes in Value of Dollar		Changes in Value of Financial Assets	
	1988	1989	1988	1989
	Percent of Companies			
Very beneficial	9%	1%	1%	1%
Beneficial	38	13	3	20
Little or no effect	42	63	69	71
Harmful	10	21	24	8
Very harmful	1	2	3	0

Table 5: EFFECTS OF EXCHANGE RATE FLUCTUATIONS BY INDUSTRY: FIRST HALF OF 1989

	Very Beneficial ◄				► Very Harmful
	Percent of Companies				
All Industries	1%	13	63	21	2
Durables Mfg.	0%	16	58	26	1
Nondurables Mfg.	1%	11	67	16	5
Services	1%	12	66	20	1

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100, Moderately Better—75, Same—50, Moderately Worse—25, Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

The Conference Board

845 Third Avenue, New York, N.Y. 10022-(212) 759-0900
1755 Massachusetts Ave., N.W., Suite 312, Washington, D.C. 20036
255 Smyth Road, Ottawa, Ontario, K1H 8M7, Canada
Avenue Louise, 207 Bte 5, B-1050 Brussels, Belgium

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

This report is prepared by The Consumer Research Center. For additional information call (212) 759-0900.

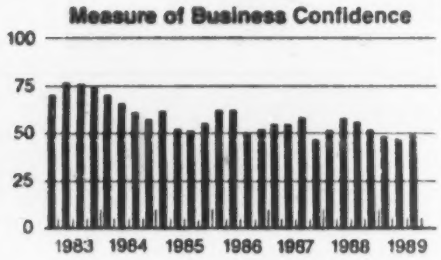
R4105-37

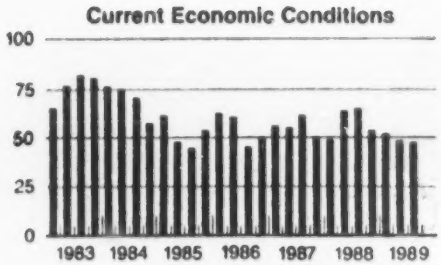
The Conference Board

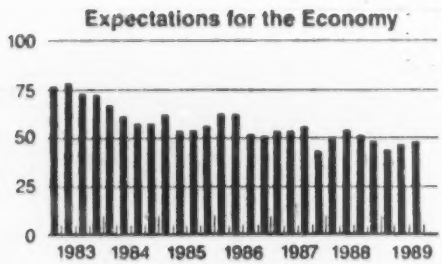
A Survey of Chief Executives

Business Executives' Expectations

Volume 13, Number 3 **Third Quarter 1989**







Business Confidence Up Marginally

The Measure of Business Confidence, which registered a fairly weak reading of 48 through the first two quarters of 1989, inched up one point in the third. A reading of 50 indicates an even balance between positive and negative responses.

In the latest probe, business executives' expectations for the months ahead improved. However, they were somewhat less positive in their assessment of current economic conditions and considerably less positive about recent developments in their own industries.

Conditions Weakened in Past Six Months

A third of all survey participants report that economic conditions weakened over the past six months, while 22% perceive improvement. Opinion on this issue is only slightly less favorable than in the second quarter.

However, there was a sizable increase in the proportion of executives that perceive a softening in their own industries—nearly 40%, up from 30 percent. Particular concern was expressed by those in the goods-producing sector. Among heads of manufacturing firms, the proportion reporting weakness in their industries jumped from 31% to 50 percent.

Expectations Somewhat Higher

Fewer respondents than last time are pessimistic about the general economic outlook. Just over 30% expect conditions to worsen over the next six months, down from 35 percent. Still, the proportion that envision improvement remains fairly low at 24 percent.

With respect to their own industries' prospects, slightly more business leaders than last time predict improvement, while fewer now foresee conditions softening. But heads of firms that produce durable goods have become less optimistic.

Capital Spending Revisions

Approximately one-quarter of the executives surveyed report that their companies boosted their capital spending programs since January, but about 15% say they scaled theirs down. The most common reason given for revisions—both positive and negative—was changed expectations of sales volume. Few considered interest rates a major factor. These findings did not vary much by major industry. In an identical survey conducted a year earlier, nearly 30% of companies reported upward revisions, while only 11% said they had made reductions.

Jason Bram

Copyright © 1989 by The Conference Board, Inc.

BUSINESS EXECUTIVES' EXPECTATIONS (ISSN 0888-6674) is published quarterly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-Class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022.

Table 1: BUSINESS EXECUTIVES' CONFIDENCE

	1986		1987				1988				1989		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
MEASURE OF BUSINESS CONFIDENCE	50	51	55	55	59	47	51	58	56	51	48	48	49
Current Economic Conditions vs. 6 Months Ago	44	50	56	55	62	50	49	64	65	54	52	48	47
Expectations for Economy, 6 Months Ahead	52	51	54	53	56	43	50	54	51	48	43	47	48
Expectations for Own Industry, 6 Months Ahead	54	53	56	56	58	48	54	55	53	51	48	50	51
Current Conditions in Own Industry vs. 6 Mos. Ago	47	50	58	57	61	55	55	62	60	53	54	50	46

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	Expectations for next 6 months: Own Industry				
	1988		*1989*		
	Q3	Q4	Q1	Q2	Q3
ALL INDUSTRIES	53	51	48	50	51
MANUFACTURING	52	51	47	50	49
Nondurables	51	50	47	52	53
Food, Textiles, Apparel	50	52	48	54	56
Paper, Printing, Publishing	51	48	42	55	54
Chemicals, Petroleum, Rubber	53	50	50	49	51
Durables	53	51	48	50	47
Metals	50	51	44	49	48
Machinery	59	54	54	52	49
SERVICES	52	50	47	48	51
Utilities	51	55	51	48	54
Wholesale & Retail Trade	56	58	49	49	48
Banking and Finance	49	45	44	47	50
Insurance	51	44	44	49	45
Business Services	62	54	50	49	61

Table 3: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	Current Conditions: Own Industry				
	1988		*1989*		
	Q3	Q4	Q1	Q2	Q3
ALL INDUSTRIES	60	53	54	50	46
MANUFACTURING	62	52	54	50	41
Nondurables	59	53	52	52	45
Food, Textiles, Apparel	52	51	49	52	47
Paper, Printing, Publishing	59	52	53	55	46
Chemicals, Petroleum, Rubber	64	55	53	49	44
Durables	64	52	55	49	39
Metals	68	55	54	51	37
Machinery	67	51	57	49	44
SERVICES	58	47	53	51	51
Utilities	64	60	56	51	56
Wholesale & Retail Trade	61	59	56	53	47
Banking and Finance	53	47	51	49	49
Insurance	49	44	47	50	42
Business Services	65	57	58	49	57

Table 4: PERCENT OF COMPANIES REPORTING REVISION OF CAPITAL INVESTMENT PROGRAMS

	Up 10% or more	*Up less than 10%*	*No revision*	*Down less than 10%*	*Down 10% or more*
ALL INDUSTRIES	11%	14%	59%	9%	7%
Manufacturing	12	12	58	12	6
Mining	25	19	50	0	6
Public Utilities	5	37	39	13	5
Banking, Finance	2	13	75	7	3
Trade	3	6	70	15	6

Table 5: REASONS FOR REVISION*

Upward	
Cost of capital fell	2%
Expected return increased	20%
Expected sales volume increased	52%
Other	33%
Downward	
Cost of capital increased	7%
Expected return fell	30%
Expected sales volume fell	57%
Other	28%

*Percentages do not sum to 100% because of multiple responses.

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

The Conference Board

845 Third Avenue, New York, N.Y. 10022/(212) 759-0900
1755 Massachusetts Ave., N.W., Suite 312, Washington, D.C. 20036
255 Smyth Road, Ottawa, Ontario, K1H-8M7, Canada
Avenue Louise, 207-Bte 5; B-1050 Brussels, Belgium

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

This report is prepared by The Consumer Research Center. For additional information call (212) 759-0900.